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TAGS: [ECON](#) [EAID](#) [KWBG](#) [PGOV](#) [IS](#) [EFIN](#)
SUBJECT: WEST BANK HOUSING PROJECTS: FINANCING ON TRACK,
BUT HURDLES REMAIN

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¶1. (SBU) Summary. Palestinian Authority (PA) officials and private sector representatives told Overseas Private Investment Corporation (OPIC) representatives that obstacles largely related to infrastructure needs still face a number of West Bank housing developments. OPIC updated contacts on the status of an affordable mortgage facility, now expected to be providing loans by the end of 2010. PA officials support a donor "roadshow" to seek contributions for basic public infrastructure. End Summary.

¶2. (U) OPIC VP for Structured Finance Robert Drumheller and Deputy Chief of Staff Jackie Strasser visited Jerusalem and Ramallah July 18-22 to promote a joint USG-PA approach to donors in support of a number of proposed West Bank housing projects, and to update PA contacts on developments with OPIC's Affordable Mortgage and Loan Corporation (AMAL). OPIC expects AMAL to be formed by the end of 2009, staffed up in 2010, and ready to begin providing mortgages by end of 2010, which is when the first affordable housing units at Rawabi (reftel), Al Reehan, and other projects are expected to come online.

Problems with Area C Issues and Infrastructure

¶3. (SBU) Bashar Masri, developer of the Rawabi housing project, said that he would not break ground on his project until the access road is under construction. Masri noted that the road's planned route runs through Area C. While the GOI has informally given him approval, he said, a formal decision must be taken by the Israeli Cabinet. According to Masri, the GOI needs a formal request from the PA. Masri said that PM Fayyad will send a letter "within a week." Masri said that while he would rather have a commitment from donors or the PA to fund some of the infrastructure before breaking ground, he would not hold up the project.

¶4. (SBU) Masri noted, though, that some form of donor support for infrastructure is essential to ensure that the cost of the housing remains affordable (OPIC estimates that the average unit cost will increase by \$16,000 without donor assistance). The Palestinian Investment Fund (PIF) held a formal groundbreaking ceremony for its 2,000-unit project, Al Reehan, in July, but has yet to start serious construction, according to Masri. PIF CEO Mohammad Mustafa told OPIC that the PA had signed two memoranda of understanding with PIF to fund part of the infrastructure, but that no funding had materialized. PIF was now prepared to build the infrastructure without assistance, he said.

¶5. (SBU) Representatives from the developer "Baydar" told

OPIC of their plans for 1,000 units outside Nablus and 60 units in Ramallah. They noted that work on their Nablus project stalled five years ago after construction of some roads and infrastructure, because access was blocked by a military road in Area C. They requested USG assistance in pressing the GOI for a response to their access proposals.

Ministers Supportive, but Want PA Ownership

¶6. (SBU) Minister of Housing and Public Works Mohammad Shtayyeh, Minister of National Economy Bassim Khoury, and Minister of Planning Ali Jirbawi met jointly with OPIC representatives. The ministers raised concerns that the anticipated cost of the proposed housing units (\$40,000-120,000/each) priced them out of the reach of average Palestinians. They expressed unease about the terms of the proposed mortgages, and noted the importance of ensuring that the value of any donor investment in infrastructure is passed on to the homeowners, not to the developers. Shtayyeh underscored that the PA wanted to avoid a repetition of previous Palestinian efforts in creating a mortgage market, which he characterized as a "total failure".

¶7. (SBU) Shtayyeh said it would be important for the PA to remain in the lead on affordable housing and infrastructure. He described plans to form a ministerial-level Infrastructure Committee to consider each project's infrastructure needs in an organized fashion. Jirbawi was concerned that none of the affordable housing projects had started work in earnest on the ground. All three ministers stressed the importance of

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affordable housing and agreed that a PA representative would join OPIC in any donor "roadshow" to raise money for infrastructure.

Next Steps

¶8. (SBU) OPIC representatives agreed to forward additional information to technical experts from the three ministries regarding AMAL, propose possible donor funding mechanisms, and solicit input from the PA in preparation for outreach to donors. Additionally, Rawabi's Masri told OPIC that he would provide briefings for the ministers to address their concerns about the project's affordability.

¶9. (U) OPIC VP Robert Drumheller has cleared this cable.
WALLES